

# **ACADEMIC MEDICAL CENTERS AND THE CERTIFICATE OF NEED LAW**

# Academic Medical Centers and the CON Law

## Key Points

- **Academic Medical Centers (AMC's) provide a unique and vital service for North Carolina citizens**
- **Policy AC-3 (the AMC exemption) is not exemption from all Certificate of Need requirements and is limited to individual AMCs**

# AMCs – Unique & Vital Service

## AMCs

- **Pitt County Memorial Hospital, Greenville**
- **Duke University Hospital, Durham**
- **UNC Hospitals at Chapel Hill, Chapel Hill**
- **Wake Forest Baptist Health, Winston-Salem**



## Medical School

- **Brody School of Medicine at ECU**
- **Duke University School of Medicine**
- **UNC-Chapel Hill School of Medicine**
- **Wake Forest University School of Medicine**

# AMCs – Unique & Vital Service

- **NC's four medical schools host 1831 medical students**
- **Over 80% of the medical residents in North Carolina are trained at the four AMCs**
- **AMC teaching activities are critical to the education of the state's healthcare providers.**
  - Nearly 40% of NC medical school graduates practice in our state
  - Over 40% of physicians who did their residency in NC stay in state
  - 59% of Brody School of Medicine's (BSOM) graduates practice in NC
  - 28% of BSOM graduates practice in rural North Carolina
  - 4,477 UNC-CH School of Medicine medical students and residents practice in NC

# AMCs – Unique & Vital Service

- **AMCs provide unique clinical education and training, including:**
  - Full-time clinical education for 3<sup>rd</sup> & 4<sup>th</sup> year medical students
  - Full-time clinical training for residents of many clinical specialties
  - Full-time clinical training for nurses, physician assistants and medical technicians
  - Basic science research
  - Clinical research that results in advancements in clinical care, clinical trials and treatment protocols
- **AMCs have integrated research, teaching and clinical missions**
  - Clinical services are needed to train learners and conduct clinical research
  - Clinical operating margins defray the unfunded cost of research and education

# Requirements of Policy AC-3

## **Policy AC-3 is only available under defined circumstances:**

- Bona fide academic need
  - Academic accreditation requirements
  - Documented expansion of research activities
  - Documented expansion of students or residents
  - Equipment necessary for the recruitment or retention of faculty
- Demonstration that other non-AMCs within 20 miles cannot meet the need, after consultation regarding possible collaboration

# Why is AC-3 Needed?

- **Research and education needs are not reflected in the regular need methodologies of the State Medical Facilities Plan.**
- **AMC's need flexibility to submit CON applications to accommodate:**
  - Approved expansions of residency programs
  - Newly won research funds
  - Changes in requirements of specialty education accrediting bodies

# Examples of AC-3 Projects

- Duke acquired a dedicated pediatric heart-lung bypass machine to support research, teaching, and clinical service in pediatric open-heart surgery
- UNC was approved to acquire a linear accelerator solely dedicated to intra-operative use to support research, teaching, and clinical needs related to particular oncology patients.
- Baptist has an MRI and PET/CT simulator obtained through Policy AC-3 for the exclusive use of radiation oncology treatment planning and related research and education
- Pitt County Memorial Hospital added 20 pediatric and traumatic brain injury rehabilitation beds to provide specialty training to physical medicine and rehab residents (*previously residents had to travel across the state for the specialty training*)



# AMCs and Policy AC-3

- **Academic Medical Centers must comply with the Certificate of Need Law**
- **Policy AC-3 is not an exemption from all CON requirements**
  - Policy AC-3 provides an alternative to the need determinations set forth in the State Medical Facilities Plan for academic projects under defined and very narrow conditions.
  - Using Policy AC-3, AMCs must still meet all CON statutory criteria, **in addition to** the requirements of the Policy.
  - Like all CON applications, AC-3 applications are subject to review, public comment and hearing, and appeal, and they are not always approved.

# AMCs and Policy AC-3

- **Applicants must consult with non-AMC providers within 20 miles before filing applications under Policy AC-3 about possible collaboration to meet academic need. No other applicants must consult with other providers before filing applications.**
- **Other providers may participate in the public comment and hearing process, and may appeal approvals of applications.**
- **All providers have the ability to seek changes or exceptions to the need determinations for non-academic needs, through petitions to the State Health Coordinating Council.**

# AC-3 Over Time

- **In almost 30 years of the Policy, we are aware of opposition to only three AC-3 applications** *(Two were resolved quickly; the third is still in litigation, the appellant has availed itself of its statutory appeal rights to challenge the approval of the application)*
- **For decades there were no petitions filed with the State Health Coordinating Council to modify the Policy, despite annual opportunities**
- **Last year, the issue was raised with the SHCC**
  - Extensive analysis and discussions among all stakeholders about the Policy
  - NCHA convened a task force, including representatives of those parties opposed to the Policy, to examine the issue and make recommendations
  - NCHA produced a recommendation unanimously endorsed by the task force and the NCHA Board, which was subsequently approved by the SHCC
  - Novant Health expressly supported the revised Policy and endorsed its adoption

# AMCs in 1983 and 2011

- **The “footprint” of the AMCs remains unchanged since Policy AC-3’s inception in 1983**
- **The Policy is expressly limited to the 4 hospitals directly attached to the state’s 4 medical schools.**
- **While AMCs may be in systems with other hospitals, the Policy is strictly limited to the academic medical center teaching hospital itself**

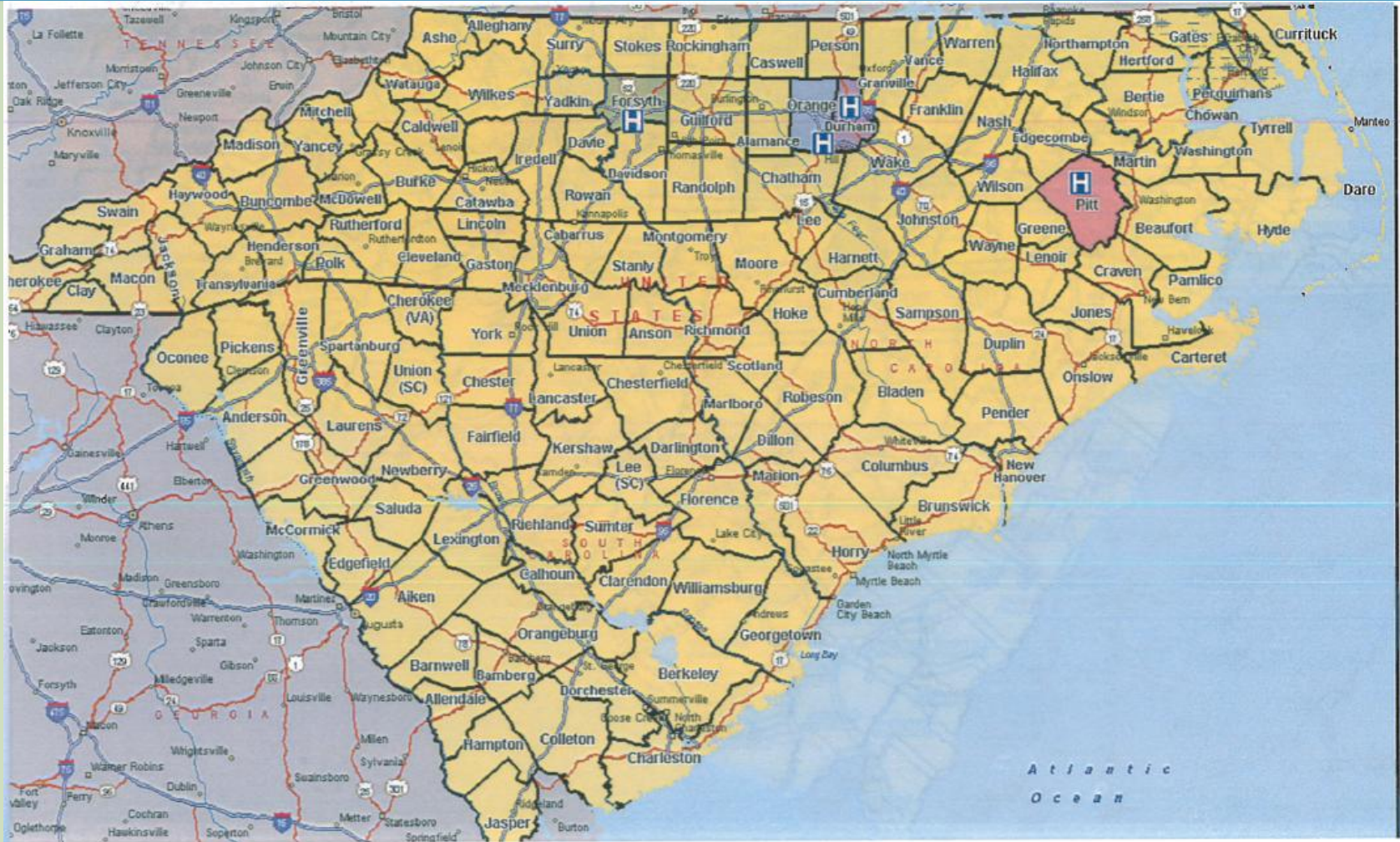
# AMCs in 1983



UNIVERSITY HEALTH SYSTEMS  
*Pitt County Memorial Hospital*



# AMCs in 2011...Exactly the Same



UNIVERSITY HEALTH SYSTEMS  
*Pitt County Memorial Hospital*

# AMC and CON Law Summary

- **Academic Medical Centers are not just large hospitals, they offer unique and vital services**
- **AMCs must be able to meet teaching and research needs that do not exist at other hospitals, AC-3 recognizes this need**
- **AMCs can only use Policy AC-3 within narrowly defined circumstances**
- **The current Policy AC-3 has been unanimously supported by the State Health Coordinating Council, the North Carolina Hospital Association, the academic medical centers, and other non-AMC hospitals**